

Message Text

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16

ACTION AF-06

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CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10 AID-05 EB-07

TRSE-00 OMB-01 COME-00 AGR-05 DOTE-00 /100 W

----- 022881

R 090810Z AUG 75

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 7516

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY DAR ES SALAAM

AMEMBASSY NAIROBI

AMEMBASSY PORT LOUIS

AMEMBASSY PRETORIA

USLO PEKING

AMCONSUL HONG KONG

CINCUSNAVEUR

CINCLANT

COMIDEASTFOR

LIMITED OFFICIAL USE TANANARIVE 1403

CINCUSNAVEUR, CINCLANT FOR POLADS

E.O. 11652: N/A

TAGS: PFOR, EAID, MA, CH

SUBJECT: NEW CHINESE LOAN TO MADAGASCAR

REF: TANANARIVE 1361 (NOTAL)

1. MALAGASY PRESS AUGUST 7 PUBLISHED TEXT OF NEW ECONOMIC
AND TECHNICAL COOPERATION AGREEMENT BETWEEN MADAGASCAR
AND PRC SIGNED IN PEKING JULY 28 (REFTEL): MAJOR PRO-
VISIONS OF AGREEMENT ARE:

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A. PRC WILL EXTEND MADAGASCAR INTEREST-FREE LOAN OF 100

MILLION YUAN (REPORTED TO BE EQUIVALENT OF 12.5 BILLION MALAGASY FRANCS, OR APPROXIMATELY 57.6 MILLION DOLLARS AT CURRENT RATE OF EXCHANGE) OVER TEN YEAR PERIOD 1975-85. ACCORDING TO TEXT OF AGREEMENT, CREDIT IS FURNISHED WITHOUT CONDITIONS.

B. LOAN MAY COVER NECESSARY LOCAL COSTS OF PROJECTS AGREED ON BY GOMR AND PRC.

C. WITHIN FRAMEWORK OF LOAN OR CREDIT, PRC AGREES TO UNDERTAKE FOLLOWING SPECIFIC DEVELOPMENT PROJECTS WITH GOMR:

(1) UPGRADING OR RECONSTRUCTION OF THE SECTION OF TANANARIVE-TAMATAVE ROAD FROM MORAMANGA TO A POINT 25 KILOMETERS FROM BRICKAVILLE. (THIS IS MAIN PORTION OF NEARLY IMPASSIBLE TANANARIVE-TAMATAVE ROAD)

(2) CONSTRUCTION OF A NEW SUGAR MILL IN THE REGION OF MORONDAVA WITH CAPACITY OF 1,000 TONS OF CANE A DAY.

(3) IMPROVEMENT OF THE MATCH-MANUFACTURING PLANT AT MORONDAVA.

(4) ESTABLISHMENT OF AN AGRICULTURE EXPERIMENT STATION FOR RICE AND VEGETABLES.

(5) TECHNICAL ASSISTANCE IN THE PLANTING OR BRAIDING OF BAMBOO.

D. ARTICLE OF BILATERAL AGREEMENT ON REPAYMENT STATES CREDIT SHALL BE REPAYED OVER TEN YEAR PERIOD 1990-2000 IN EITHER MALAGASY EXPORT PRODUCTS OR IN CONVERTIBLE FOREIGN EXCHANGE. IN EVENT GOMR "SHOULD HAVE DIFFICULTIES WITH TERMS OF REPAYMENT WHEN THEY BECOME DUE," PAYMENTS MAY BE STRETCHED OUT.

E. PRC SHALL SEND UNSPECIFIED NUMBER OF TECHNICIANS TO ASSIST GOMR IN CARRYING OUT PROJECTS AGREED ON BY THE TWO GOVERNMENTS.
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2. EMBASSY COMMENT: TERMS OF MAJOR NEW CHINESE CREDIT TO MADAGASCAR APPEAR VERY GENEROUS. EMBASSY HAD EARLIER LEARNED OF CHINESE AGREEMENT TO RECONSTRUCT MAIN PORTION

OF TANANARIVE-TAMATAVE ROAD, BUT THIS IS FIRST NEWS OF
CHINESE COMMITMENT TO CONSTRUCT NEW SUGAR MILL.

3. COMING ON HEELS OF RECENT CHINESE GRANT OF \$2.45
MILLION WORTH OF AGRICULTURAL EQUIPMENT TO MADAGASCAR
(REFTEL), HUGE NEW CHINESE LOAN, MUCH THE LARGEST MADAGAS-
CAR HAS RECEIVED FROM ANY SOURCE IN RECENT YEARS, AND
SUPPOSEDLY UNITED AND WITHOUT INTEREST, WILL PROBABLY
BE HEADY COUP FOR NEW MALAGASY PRESIDENT DIDIER RATSIRAKA.
AT THE SAME TIME MANY MALAGASY, CONGENTIALLY SUSPICIOUS
OF FOREIGNERS, WILL PROBABLY WONDER WHAT THE CHINESE
ARE GETTING IN RETURN. ALSO, IT REMAINS TO BE SEEN
WHETHER THE MALAGASY WILL WELCOME LARGE NUMBERS OF
CHINESE WORKERS ON THE TANANARIVE-TAMATAVE ROAD PRO-
JECT, AND EXTENT TO WHICH GOMR WILL BE ABLE TO USE THE
LOAN EFFECTIVELY.
ELFERS

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